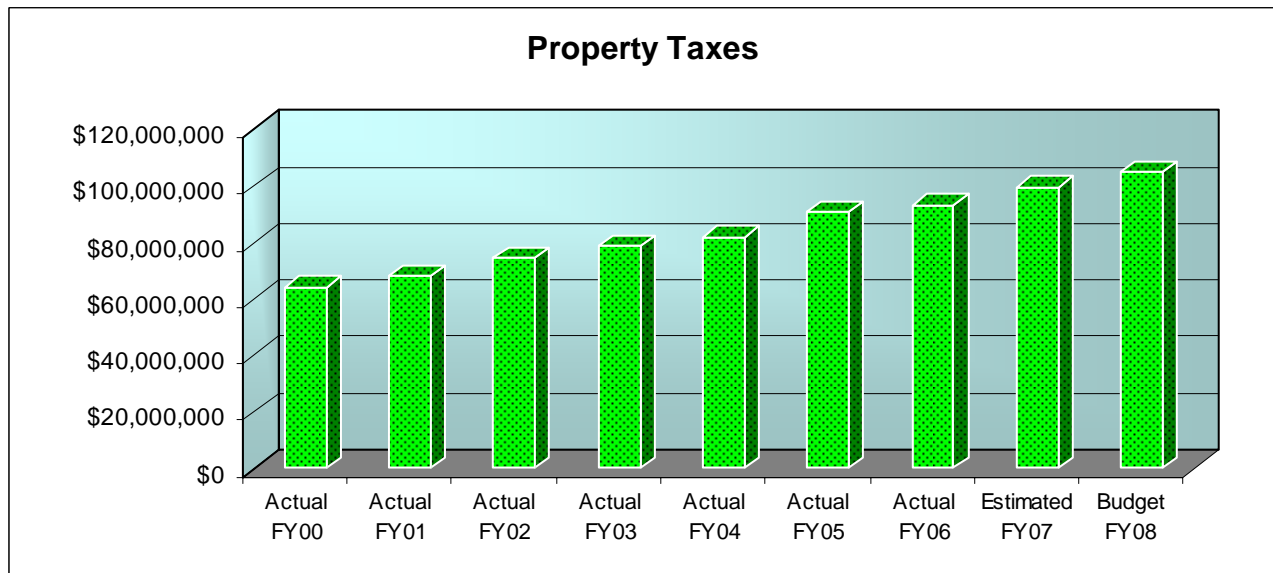


General Fund – Discretionary Revenues

	Actual FY 2005-06	Adopted FY 2006-07	Estimated FY 2006-07	Adopted FY 2007-08	Change
General Property Taxes					
Current Levy	\$ 91,484,108	\$ 96,780,617	\$ 97,141,798	\$ 103,294,010	6.7%
Prior Years Levy	1,535,249	2,134,945	2,134,945	2,134,945	0.0%
Interest & Penalties	376,513	415,000	342,000	415,000	0.0%
Subtotal	\$ 93,395,870	\$ 99,330,562	\$ 99,618,743	\$ 105,843,955	6.6%
Other Local Taxes					
Local Option Sales Tax	\$ 35,075,998	\$ 37,781,609	\$ 39,955,662	\$ 42,214,634	11.7%
Rental Car Gross Receipts	\$ 199,273	\$ -	\$ 140,000	\$ 125,000	100.0%
Hotel/Motel Occupancy Tax	1,521,689	1,642,840	1,779,371	1,868,339	13.7%
Subtotal	\$ 36,796,960	\$ 39,424,449	\$ 41,875,033	\$ 44,207,973	12.1%
Licenses and Permits					
Cable T V Franchise Fee	\$ 1,899,291	\$ 1,817,565	\$ 1,817,565	\$ 1,817,565	0.0%
Business & Professional Licenses	2,419,973	3,000,000	3,000,000	2,800,000	-6.7%
Subtotal	\$ 4,319,264	\$ 4,817,565	\$ 4,817,565	\$ 4,617,565	-4.2%
Intergovernmental Revenues					
Intangibles Tax Reimbursement	\$ -	\$ -	\$ -	\$ -	-
Utility Franchise Tax	8,298,312	8,907,529	6,893,309	7,181,987	-19.4%
Gasoline Tax (Powell Bill)	5,870,994	6,035,565	5,862,783	6,261,693	3.7%
Beer & Wine Tax	904,514	903,523	920,000	930,629	3.0%
Alcoholic Beverage Control	41,584	60,971	70,000	61,971	1.6%
Inventory Tax Credit	-	-	-	-	-
Subtotal	\$ 15,115,404	\$ 15,907,588	\$ 13,746,092	\$ 14,436,280	-9.2%
Investment and Rental Income					
Investment Income	\$ 1,167,270	\$ 1,664,410	\$ 2,300,000	\$ 2,440,093	46.6%
Interest On Assessments	-	-	-	-	-
R-O-W Surcharge	-	-	-	-	-
Municipal Buildings	300	-	-	-	-
Subtotal	\$ 1,167,570	\$ 1,664,410	\$ 2,300,000	\$ 2,440,093	46.6%
Other Revenue					
Sale Of Land	\$ 477,310	\$ 800,000	\$ 565,810	\$ 900,000	12.5%
Sale Of Surplus Equipment	278,238	265,756	990,113	375,000	41.1%
Credit Union Overhead	-	-	-	-	-
Street Assessments	149,440	-	52,449	-	-
Sidewalk Assessments	50,555	-	-	-	-
Subtotal	\$ 955,543	\$ 1,065,756	\$ 1,608,372	\$ 1,275,000	19.6%
Appropriations From Fund Balance	\$ -	\$ 70,000	\$ 293,019	\$ 5,488,922	7741.3%
Total Revenues	\$ 151,750,611	\$ 162,280,330	\$ 164,258,824	\$ 178,309,788	9.9%

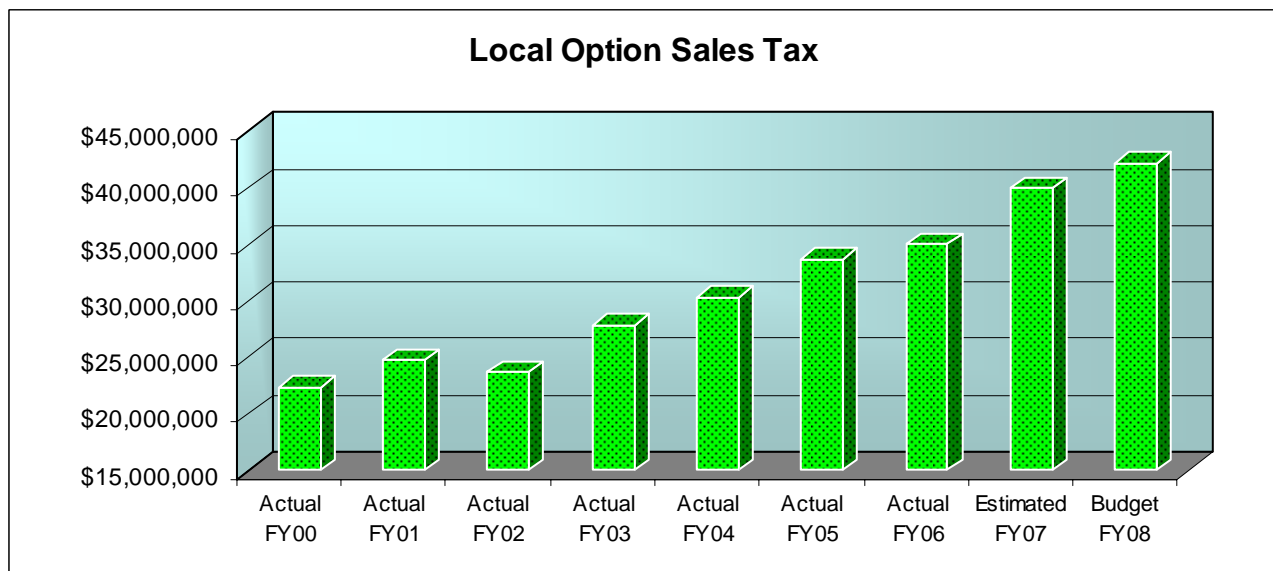
General Fund – Discretionary Revenues

GENERAL PROPERTY TAXES



The FY 2007-08 Budget includes a tax rate of 61.8 cents per \$100 of assessed valuation, which is a 1.5 cent increase over the FY 2006-07 Budget. The property tax rate is established annually during the budget process. The City's property tax is levied based on 100% of the assessed value of property from the previous January 1 as determined by the Durham County Tax Administrator, whose office both bills and collects property tax. Please refer to Section IV - Budget Summaries for tax base information.

OTHER LOCAL TAXES



Sales Tax - The sales tax is levied on the sale, lease or rental of all taxable goods and services within Durham County. Purchasers of these goods and services pay the tax. Sales tax is collected by businesses at the time of the sale and then paid periodically to the North Carolina Department of Revenue, Sales and Use Tax Division. The Department of Revenue then remits that portion due to the County and all municipalities in the County based on a per capita formula.

The sales tax rate in Durham is 6.75 cents per dollar retail sales tax on all retail sales except food purchases to be consumed at home, which are taxed at 2.0 cents per dollar. Most services and prescription drugs are exempt

from sales taxes. The State retains 4.25 cents for retail (0 cents in the case of food sales) and returns 2.5 cents to local governments. The sales tax is an important revenue source for the City, representing 23% of General Fund revenue for FY 2007-08. The sales tax rate was last increased in December 2002.

Through FY 2002-03, the City of Durham only accounted for sales tax revenue actually received in the fiscal year, thus not accounting for one quarter of sales tax receipts earned in a year. Beginning in FY 2003-04, the City of Durham accrued sales tax revenue earned during the fiscal year.

The FY 2007-08 budget estimate is reflective of the continued growth in retail sales in Durham. According to fiscal analysts at the General Assembly, sales tax revenues are projected to increase 3.5 to 4% during FY 2007-08. Durham is projecting a 5.4% growth in sales tax over current year estimates.

Hotel/Motel Tax - A tax of 6% is levied on hotel/motel rentals in Durham County as authorized by the General Assembly in the 2001 session. Of the first 5%, the City receives 25.5%, Durham County receives 34.5%, and the Durham Convention and Visitors Bureau receives 40%. The last 1% is held by Durham County to pay for arts and cultural projects. Funding is set aside in the last 1% for the City to develop a Performing Arts Center. The hotel industry has still not fully recovered from the reduced travel after the September 11, 2001 terrorist attacks. The FY 2007-08 budget estimate represents a 5% increase over the FY 2006-07 revised estimate for these receipts. This growth rate is based on current year experience, as well as projected growth in hotel usage from the Durham Convention and Visitors Bureau.

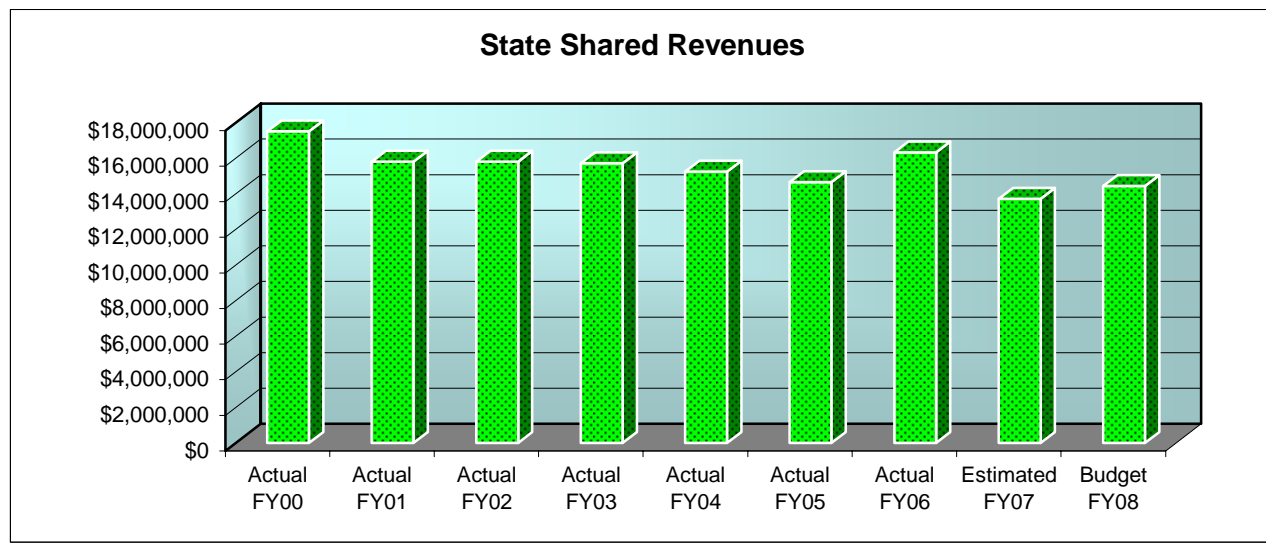
LICENSES AND PERMITS

Cable Television Franchise - This revenue will be replaced with the **Local Video Programming Revenue**. Since this is a new revenues source, there is not direct past history to refer to. However, the legislative intent of the change from the local franchise tax to a share of state special sales taxes was to be at least "revenue neutral" for local governments. Cities were advised to budget for this revenue at or below FY06-07 cable franchise tax estimates, therefore the FY 2007-08 revenue projection assumes no increase.

Business Licenses - Businesses are assessed a fee for the privilege of doing business in the City. The FY 2007-08 budget assumes a 6.7% decrease over the FY 2006-07 revised estimate.

INTERGOVERNMENTAL REVENUE

Intergovernmental revenue consists of revenue received by the City from federal, state, and county government in the form of grants, shared revenues or reimbursements. Charges to other governments for services rendered, such as for interlocal agreements, are not included in this category.



State Shared Revenues

- ❖ **Utility Franchise Tax** - The State levies separate taxes on gross receipts of electric, natural gas, and telephone (including cellular) utilities, and distributes revenues quarterly. The FY 2007-08 budget assumes this revenue will grow at 4% over FY 2006-07 expected receipts.
- ❖ **Gasoline Tax (Powell Bill)** - The revenue generated from Powell Bill collections is used to support the maintenance of non-state system streets. The City's share is based on population (75%) and local street mileage (25%) relative to those of other municipalities. For FY 2007-08, the City projects a 6.4% increase which is supported by estimates from the North Carolina League of Municipalities. This increase is attributable to an improving economy and rising gas prices. The State Highway Trust Fund is used to supplement the State Highway Fund in the funding of the Powell Bill distribution. This projection assumes that the proportion of City street miles and population before annexation to street miles and populations of other municipalities remains constant.
- ❖ **Beer and Wine Tax** - The tax on malt beverages and unfortified wines is paid by the final purchaser and administered by the State. Taxes are distributed to entitled municipalities according to population. The FY 2007-08 budget assumes this revenue will increase 1% over what the City is anticipating in FY 2006-07.
- ❖ **Alcoholic Beverage Control Tax** - The City receives 10% of the profit from ABC operations in the County. The FY 2007-08 budget assumes this revenue will decrease 12% as compared to FY 2006-07 revenue projections.
- ❖ **State Reimbursements** - Effective July 1, 2002, the State repealed several reimbursements to local governments, including the Inventory Tax Credit, the Homestead Tax Exemption, the Intangibles Tax and the Food Stamp Sales Tax Reimbursement. Together, these reimbursements represent a loss of \$3,826,248 to the City of Durham that the City continues to feel.

Other Agencies

- ❖ **Payments in Lieu of Taxes** - Payments are made by the Durham Housing Authority under a contract with the City based on a percentage of rents less utility costs.

INVESTMENT AND RENTAL INCOME

Investment Income - Revenues into the General Fund do not occur evenly over the fiscal year. Most property tax, for example, is collected during December and January of each year. The Finance Director is authorized to invest these funds in short-term investments. The resulting interest accrued on the invested funds is considered interest revenue for the City.

By resolution of the City Council, all investment income derived from the General Fund is transferred to the Capital Projects Fund, minus amounts allocated to the Budget and Management Services and Finance Departments representing activities in these departments associated with capital project and investment income activities. Due to the Governor's actions on state-shared revenues for FY 2001-02 and FY 2002-03 and the continued downturn in the economy, investment income remained in the General Fund for FY 2003-04. For FY 2006-07 the transfer was limited to an allocation of \$1,000,000. For FY 2007-2008 there is no general fund transfer into the capital projects fund from investment income.

Rental Income - Fees included here are realized from the rental of caretaker houses and apartments at City parks and community buildings, temporary rental of houses and property acquired for other purposes, and miscellaneous rentals.

Right-of-Way Charges - This represents a charge to the Water and Sewer Fund for the use of the City's rights-of-ways.

OTHER REVENUE

This category is used to record those revenues that are miscellaneous in nature.

Sale of Surplus Land - Periodically the City sells surplus land.

Sale of Surplus Equipment - Periodically the City auctions equipment. The FY 2007-08 budget assumes a sales volume consistent with the most recent prior year actual results.

Credit Union Overhead - This revenue represents a General Fund administrative charge to the Credit Union.

Street Assessments - The City assesses properties based upon front footage for street and sidewalk construction projects.

Certificates of Participation - This represents the proceeds from the issuance of Installment Sales debt (COPS) for purchases of equipment in the General Fund during FY 2007-08. This revenue offsets the capital appropriation for these purchases.

Miscellaneous - Revenues received from various sources unrelated to specific departmental activities are recorded here. Examples of such revenue are administrative fees related to garnishments for child support, charges for City documents, travel advances returned to the City, and payments for damaged City vehicles.

Transfer from Reserves - Reserved fund balance for carryovers and carryforwards from the previous fiscal year are recorded here.

TRANSFER FROM OTHER FUNDS

The General Fund receives transfers from other funds for indirect costs or for the cost of activities performed in the General Fund. All enterprise and special revenue funds are subject to incur indirect costs. The indirect costs are calculated from the FY 2003 Indirect Cost Plan issued by the Finance Department in 2003 with minor growth estimates applied where applicable.

APPROPRIATION FROM FUND BALANCE

Revenues from prior years are often necessary to balance the budget. To the extent revenues exceed expenditures at year end (FY 2006-07) excess funds will be returned to Fund Balance. The final year-end figure will be based on actual revenues and expenditures as determined through the City's FY 2006-07 financial audit. For the FY 2007-08 budget, \$5,488,922 is budgeted from fund balance to balance the budget. If funds from FY 2006-07 are returned to Fund Balance, they will be used to keep our General Fund Balance at the desired level of 12%. The City's Fund Balance Policy limits the amount to be appropriated from fund balance to the equivalent of 4.4 cents on the tax rate over a two-year budget cycle.